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ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Janet Napolitano
Governor

Tracy L. Wareing
Director

NOV 30 2006

The Honorable Ken Bennett
President of the Senate
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear President Bennett:

In accordance with Laws 2006, Chapter 191, Section 2, attached is the Department of Economic Security Cash Assistance Eligibility Verification report.

If you have any questions, please contact Veronica Bossack, Acting Assistant Director, Division of Benefits and Medical Eligibility at (602) 542-3596, or me at (602) 542-5757.

Sincerely,

A handwritten signature in black ink that reads "Tracy L. Wareing". The signature is written in a cursive style with a large, stylized initial 'T'.

Tracy L. Wareing
Director

Attachment

cc: Governor Janet Napolitano
Speaker James P. Weiers, Arizona State House of Representatives

Cash Assistance Eligibility Verification Report

Pursuant to Laws 2006, Chapter 191, the Department of Economic Security is required to submit the following Cash Assistance Eligibility Verification Report.

A. On or before November 15, 2006, the Department of Economic Security shall submit a report on eligibility verification measures and fraud prevention to the Governor, the Speaker of the House of Representatives and the President of the Senate that includes:

1. An evaluation of the feasibility and the fiscal impact, including potential savings, of requiring persons who wish to receive cash assistance pursuant to Title 46, Chapter 2, Arizona Revised Statutes, to produce photo identification that has been issued by either the Department of Transportation, a federally recognized tribe or the Department of Economic Security.
2. An evaluation of the feasibility and the fiscal impact, including potential savings, of using imaging technology to verify the identity of an applicant who wishes to receive cash assistance pursuant to Title 41, Chapter 14, Article 1, Arizona Revised Statutes, at the time of application, on redetermination of eligibility and when an enrollee is attempting to use cash assistance.
3. A list of the information that a request for qualifications to develop fraud protection and identity verification systems should include.
4. An evaluation of whether certain eligibility groups or programs may be required to undergo identity verification procedures and a recommendation of which groups or programs should be subject to the procedures.
5. A review of the identification procedures used by other states.
6. The methodology and processes used to develop the findings in the report.

B. The Department of Economic Security shall submit a copy of the report to the Secretary of State and the Director of the Arizona State Library, Archives and Public Records.

Background

Arizona policy requires that the TANF Cash Assistance program eligibility worker accept any document that establishes the applicant's identity. Acceptable documents include, but are not limited to, the following:

Birth certificate
Family census card
School ID
Work ID
Health benefits ID card

Driver's license
Citizenship and immigration documents
Wage stubs
Voter registration card
Social service program ID card

When documentary evidence is not readily available, a collateral contact may be used. A collateral contact is an oral confirmation of a household's circumstances by a person outside of the household. The collateral contact may be made in person or over the phone.

TANF Cash Assistance applicants are also required to provide documentary evidence establishing their relationship to the child for whom they are requesting assistance. Documents used to verify the relationship include, but are not limited to, the following:

Adoption records	Hospital or public records of birth
AHCCCS Deemed Newborn Reports	Church records
Bureau of Vital Statistics records	Military records
Census records	Outpatient medical care records
Certificates of Indian Blood	Certified birth certificates
Court orders	Genetic testing results
Division of Child Support Enforcement records	

Additionally, TANF Cash Assistance applicants must comply with the Arizona Fingerprint Imaging Program. These requirements and processes are discussed in Section 2 of this report.

Section 1. An evaluation of the feasibility and the fiscal impact, including potential savings, of requiring persons who wish to receive cash assistance pursuant to Title 46, Chapter 2, Arizona Revised Statutes, to produce photo identification that has been issued by either the Department of Transportation, a federally recognized tribe or the Department of Economic Security.

The Department conducted a review of the identity verification documents contained in a statewide random sample of active Cash Assistance cases. In the cases sampled, 78.57% of the applicants provided a driver's license, an Arizona identification card, or a Tribal identification card that have photo identification. The Department's Family Assistance Administration (FAA) does not issue identification cards.

In September 2006, there were 21,595 adults included in a Cash Assistance grant and 17,579 adults whose needs were not included in the grant in child-only cases, for a total of 39,174 adults. If these adults were required to provide the specified identity verification at application, it is anticipated that 21.43%, or 8,395 of the current active Cash Assistance cases, would need to obtain either a driver's license or identification card from the Arizona Motor Vehicle Division (MVD).

The cost of the MVD documents varies depending on the age of the applicant:

Age 16-39	\$25.00
Age 45-49	\$15.00
Age 40-44	\$20.00
Age 50 and older	\$10.00

Assuming the average expense would be \$22.50, since most applicants are between the ages of 16 and 44, the total expense for the documents alone would be \$188,887.

The Department may need to absorb all or a portion of this expense since an applicant may request assistance in obtaining the necessary paperwork. The table below illustrates the potential salary, employee-related expenses, and operating costs associated with workload increase and the cost to obtain driver's licenses for current cases. The Department does not currently incur any of these costs since the statute allows for less restrictive sources of verification.

Percentage of current adult caseload (8,395) requesting DES to pay for a driver's license	ID Card Cost	Staffing Cost	Total Cost
100%	\$188,887	\$50,255	\$239,142
75%	\$141,665	\$50,255	\$191,920
50%	\$94,444	\$50,255	\$144,698
25%	\$47,222	\$50,255	\$97,477

FAA receives an average of 1,810 new applications each month for Cash Assistance. The following on-going costs are anticipated based on 21.43% of new Cash Assistance applicants, 388 per month or 4,656 or year, requiring MVD-issued identity verification.

Percentage of initial applicants (4,656) requesting DES to pay for a driver's license	ID Card Cost	Staffing Cost	Total Cost
100%	\$104,728	\$21,204	\$125,933
75%	\$78,546	\$21,204	\$99,751
50%	\$52,364	\$21,204	\$73,569
25%	\$26,182	\$21,204	\$47,386

Section 2. An evaluation of the feasibility and the fiscal impact, including potential savings, of using imaging technology to verify the identity of an applicant who wishes to receive cash assistance pursuant to Title 41, Chapter 14, Article 1, Arizona Revised Statutes, at the time of application, on redetermination of eligibility and when an enrollee is attempting to use cash assistance.

Unless exempt, the TANF Cash Assistance applicant and any other adult participant in the assistance unit whose needs are included in the TANF grant, must already comply with the Arizona Fingerprint Imaging Program (AFIP). This is an automated fingerprint comparison system; not an identity verification system, for use in the eligibility determination process designed to ensure that participants do not use false identities to receive duplicative benefits to which they are not entitled. This requirement also applies to eligible minor parents. Participants must complete AFIP requirements at least once in every 12-month period. An AFIP enrollment receipt is produced which verifies that a participant's fingerprint imaging record was generated. The receipt contains the participant's Client Identifying Number, biographical information, and a photograph of the participant taken during the enrollment process. The AFIP enrollment receipt is retained in the case file providing the eligibility worker with an additional resource to use at subsequent interviews to verify the applicant's identity.

Section 3. A list of the information that a request for qualifications to develop fraud protection and identity verification systems should include.

TANF Cash Assistance recipients access their payments through the Electronic Benefit Transfer (EBT) Processing System. Participants use a plastic debit card called QUEST at automated teller machines (ATMs) and point-of-sale (POS) devices, from assigned EBT accounts. Similar to debit cards, the recipient selects a Personal Identification Number (PIN) to secure access to the account.

Since a database currently exists containing the finger images of TANF Cash Assistance recipients, the finger image would need to be imbedded in the QUEST card to allow fingerprint readers in retail locations to perform a comparison for on-site identification purposes. According to a report by the U.S. Government Accountability Office (GAO), fingerprint readers for physical access control cost approximately \$1,000 to \$3,000. There is also additional software licensing expenses of about \$4.00 per user. Smaller fingerprint scanners have maintenance costs of 15 to 18 percent of their purchase price. The larger live-scan, 10 print readers cost approximately \$25,000 and have upkeep costs of about 14 percent of the reader's costs.

There are 3,149 stores in Arizona that accept the QUEST card for purchases. A minimum expense based on GAO estimates would be \$3,149,000 for fingerprint readers at these locations plus an additional software licensing cost of \$12,596 for an approximate expense of \$3,161,596. Based on the GAO estimates, a high-end expense would be \$9,484,788. These non-reimbursable costs would be borne by the businesses that accept EBT cards.

Section 4. An evaluation of whether certain eligibility groups or programs may be required to undergo identity verification procedures and a recommendation of which groups or programs should be subject to the procedures.

Based on the current identity verification process and the additional safeguards in place, the Department does not believe that it is necessary for certain groups of Cash Assistance applicants to be required to undergo any additional identity verification requirements or processes that differ from those currently used for all Cash Assistance applicants.

Section 5. A review of the identification procedures used by other states.

The Department conducted a review of the identity verification procedures used in several other states' TANF Cash Assistance programs. State agencies employ a variety of verification requirements, ranging from requiring mandatory documentary evidence to accepting an applicant's statement (unless questionable). Nebraska and Kentucky have adopted the new Medicaid identity verification requirements as the standard for identity verification in their TANF Cash Assistance programs. None of the states surveyed require a photo ID to be provided for identity verification. A compilation of identity verification types used by various TANF state agencies is included in Attachment A.

The identity verification procedures used in the Arizona TANF Cash Assistance program are consistent with the procedures used in the majority of other states' TANF Cash Assistance programs.

Section 6. The methodology and processes used to develop the findings in the report.

To anticipate the fiscal impact of requiring applicants to provide photo identification issued by the Department of Transportation, a federally recognized tribe, or the Department, the following method was employed:

- A statewide random sample of active Cash Assistance cases was completed. FAA local offices provided a copy of the identity verification document that was used in each eligibility determination.
- Data was compiled to identify the number of cases in the sample that contained one of the three identification documents specified for this report.
- Based on current caseload data and the percentage of cases either containing or not containing one of the three specified documents, an estimate of the total number of active cases and the number of monthly new cases that would require one of the three specified documents was estimated.
- An average cost of the MVD documents was made based on current MVD prices and the average age range of Cash Assistance applicants.
- It was assumed that the new identity verification requirement would add an average of six minutes to the FAA interview process.
- An estimate of staffing costs was developed for both the one-time expense of requiring current Cash Assistance participants to come into compliance with the new identity verification requirement and staffing costs for new Cash Assistance cases.
- An estimate of expenses to DES was developed based on the percentage of active participants and new applicants who may request that the Department pay for the MVD documents based on financial hardship. The estimated cost was based on the staffing costs and the cost of the documents.

To anticipate the fiscal impact of requiring the use of Imaging Technology when a Cash Assistance recipient uses the cash benefit at a retail location, the following method was employed:

- The number of retail locations currently authorized to accept the QUEST card for Cash Assistance participants was determined.
- Research was done on the internet to locate articles or studies pertinent to the use of biometrics in identity verification.
- Figures were obtained from an article referring to a report from GAO citing costs of fingerprint readers and other associated expenses.
- An estimated cost was developed based on the GAO figures and the number of retail locations that accept the QUEST card.

ATTACHMENT A

TANF STATE AGENCIES - IDENTITY VERIFICATION

IDENTITY VERIFICATION TYPE	STATE TANF PROGRAM
Any document providing identifying data	NV VA NH AL UT (all of the items below would apply) PA (except birth records)
Motor vehicle operator license	HI DC IN MA NV NY PA TX VA WA WV WI WY CO AL SC NE KY
State identification card	HI DC MA NV TX VA WA WV WY CO AL SC NE KY
Birth certificate	HI DC MA TX WA WI WY SC
Passport	HI DC MA NV NY PA TX VA WA WV WI WY NE KY
Church record	HI MA NV VA WI WY
School ID or school records	HI DC MA NV TX VA WA WV WI SC NE KY
Employment record (includes ID card or wage stubs)	HI DC MA NV TX VA WV WI
Insurance records	HI MA VA WI WY AL
Marriage record	HI MA VA WV WY
Military records or military ID	HI MA NV PA VA WV WI WY CO NE KY
Voter registration card	HI DC MA NV PA TX VA WV WI WY AL SC NE KY
Receipt of other benefits which require ID verification such as SSI	DC MA NV
Social security card	DC MA PA WV ID
Library card	DC WV
Family bible or genealogical record	MA WI
Hospital birth record	MA NV WI
United States census records	MA WI
Court records	MA VA WI
Immigration and Naturalization record	MA NY WA WI WY ID SC
Other governmental records	MA NV WV NE KY NY (adoption record) VA (adoption record) PA (Selective Service card) WI (adoption record)
Tribal document	CO
Medical records	NY VA WI WY

ATTACHMENT A (CONTINUED)

TANF STATE AGENCIES - IDENTITY VERIFICATION

IDENTITY VERIFICATION TYPE	STATE TANF PROGRAM
Client statement	OR IA VT TX (DPS number with one other form of identifying data such as Social Security number or date of birth)
Collateral source accepted – third party who can identify the applicant	HI DC MA NV NH UT WA WV NY (when a birth certificate or valid Social Security number is also provided) PA (written document providing descriptive identifying information)

Colorado: The applicant must also execute an affidavit attesting that they are either a citizen of the United States or an alien lawfully present in the United States.